Planning by	Reviewed	Performed by	Final Review

Client details

Client name: West Rand District Municipality

Year end: 30 June 2016

West Rand District Municipality
Trading as West Rand District Municipality
Financial statements
for the year ended 30 June 2016

General Information

Legal form of entity	District Municipality DC48
Nature of business and principal activities	Local Municipality
Mayoral committee	
Executive Mayor	K.M. Nawa (Executive Mayor) J.N. Phiri (Speaker) N.P. Lipudi (Chief Whip) M. Kawe (MMC: Finance) T.E. Mphitikezi (MMC: Corporate Services) L.L. Nkosiyane (MMC: Public Safety) G. Khoza (MMC: Technical Support & Transport Planning) M.P. Kgoleng (MMC: Health & Social Development) S.D. Thabe (MMC: Economic Development & Tourism) S.E. Thebenare (MMC: Human Settlement & Land Use Planning) O. Caldeira (MMC: Environmental Management)
Councillors	S. Handula (MPAC Chairperson) B.D. Blake M.F. Chohledi T.N. Daniel P.H.C De Jager R.J.A Harris L.A. Isherwood MV Jiba N Best E du Plessis F.F Ngcobo T.K Foteng M.J Selibo M Holenstein J. Hoon R. Lees T.B.N Mavuso S. Mcungeli M.V. Mfazi (Deceased) D.E. Ngubane M.N. Nomandla M. Nqoro W.M. Plaatjie D.H. Pretorius P.L. Seemela P. Simon C.P. Zagagana J.D.W Zwart G.S. Isherwood G. Khoza V. Lwazi F. Matshogo

General Information

	T. Nondzaba
Grading of local authority	Medium Capacity
Accounting Officer	M.D. Mokoena
Chief Finance Officer (CFO)	R. Mohaudi
Registered office	
	Cnr Sixth & Park Street Randfontein 1760
Postal address	Private Bag X033 Randfontein 1760
Bankers	Standard Bank of Southern Africa
Auditors	Auditor General-South Africa
Attorneys	Ramashila-Mugeri Attorneys Twala Attorneys Mohammed Randera & Associates Nozuku Nxusani Incorporated Phungo Incorporated Ntanga Kganane Nkuhlu Attorneys Renqe Kunene Incorporated Manako Attorneys

Index

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

Abbreviations

CCTV	Closed Circuit Television
EPWP	Expanded public works programme
LSA	Long service award
PEMA	Post employment medical aid
GRAP	Generally Recognised Accounting Practice
GRARD	Gauteng Department of Agriculture and Rural Development
MMC	Member of Mayoral Committee
FMG	Financial Management Grant
IMFO	Institute of Municipal Finance Officers
NDPG	Neighbourhood development partnership grant
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MWIG	Municipal water infrastructure grant
WRDM	West Rand District Municipality
WRDA	West Rand Development Agency

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and were given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the National and Provincial grants for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the West Rand District Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's internal auditors.

The financial statements set out on pages 5 to 68, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016 and were signed on its behalf by:

M.D. Mokoena
Municipal Manager

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2016.

1. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the continued commitment by the National and Provincial sphere of government to transfer grants to the district municipality. The accounting officer has further committed to raising funds from savings, these savings include rigorious cost containment measures to restore a positive financial position of the municipality.

The local municipalities within the West Rand remain committed to contributing funds to the District for Transformation, West Rand Developmen Agency, Go-West and other special programs. In addition, the municipality has set-up a project support office to assist with sourcing of external funding.

2. Subsequent events

All matters and events that occured between 30 June 2016 and the date of submission of the annual financial statements have been taken into account and appropriately reported.

3. Accounting Officer's interest in contracts

The accounting officer did not have any interest in any contract of the municipality.

4. Accounting policies

The financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
M.D. Mokoena	South African

6. Bankers

The District Municipality primarily banks with Standard Bank - Key West Branch

7. Auditors

Auditor General-South Africa will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	20,114,420	32,775,528
Receivables from exchange transactions	4	27,910,111	2,738,227
VAT receivable	5	6,722,326	-
Inventories	6	708,178	456,196
		55,455,035	**35,969,951**
Non-Current Assets			
Long term receivables	7	2,223,526	1,557,356
Biological assets that form part of an agricultural activity	8	972,123	327,862
Investment property	9	4,680,000	4,450,000
Property, plant and equipment	10	43,121,151	50,613,706
Intangible assets	11	97,034	854,620
Investments in controlled entities	12	14,578,528	14,578,528
		65,672,362	**72,382,072**
Total Assets		**121,127,397**	**108,352,023**
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	36,515,868	34,151,178
Unspent conditional grants and receipts	14	8,469,701	480,000
VAT payable	15	-	1,378,390
Provisions	16	2,989,985	7,938,873
Employee benefit obligation	17	1,554,396	1,363,440
		49,529,950	**45,311,881**
Non-Current Liabilities			
Employee benefit obligation	17	51,810,481	58,037,297
Provisions	16	11,467,931	11,896,056
		63,278,412	**69,933,353**
Total Liabilities		**112,808,362**	**115,245,234**
Net Assets		**8,319,035**	**(6,893,211)**
Accumulated surplus		8,319,035	(6,893,211)

* See Note 38

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	831,035	1,023,527
Rental of facilities and equipment	20	1,548,995	1,533,096
Interest on outstanding receivables		157,098	114,441
Agency services (Ambulance services)	21	27,206,217	37,789,000
Licences and permits		246,084	185,764
Other income	22	31,866,383	3,293,023
Interest received - investment	23	3,180,464	3,297,067
Total revenue from exchange transactions		**65,036,276**	**47,235,918**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	24	245,816,565	189,804,775
Total revenue	18	**310,852,841**	**237,040,693**
Expenditure			
Employee related costs	25	(164,979,230)	(172,428,075)
Remuneration of councillors	26	(9,968,157)	(10,093,371)
Depreciation and amortisation	10&27	(8,023,283)	(12,261,813)
Finance costs	28	-	(600,165)
Lease rentals on operating lease		(6,086,177)	(6,407,621)
Debt Impairment	29	(700,085)	(3,048,136)
Repairs and maintenance		(2,810,173)	(2,530,232)
Transfers and Subsidies	30	(4,394,200)	(4,394,200)
General Expenses	31	(113,904,978)	(70,602,146)
Total expenditure		**(310,866,283)**	**(282,365,759)**
Operating deficit		**(13,442)**	**(45,325,066)**
(Loss) gain on disposal of assets and liabilities	10	(285,058)	240,926
Fair value adjustments	32	874,261	921,162
Actuarial gains/losses	16&17	14,354,269	714,750
Workmen's compensation movement		282,217	803,513
		15,225,689	**2,680,351**
Surplus (deficit) for the year		**15,212,247**	**(42,644,715)**

* See Note 38

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2014	**35,751,504**	**35,751,504**
Changes in net assets		
Deficit for the year	(42,644,715)	(42,644,715)
Total changes	(42,644,715)	(42,644,715)
Opening balance as previously reported	(7,076,229)	(7,076,229)
Adjustments		
Prior year adjustments (Note 38)	183,017	183,017
Restated* Balance at 01 July 2015 as restated*	**(6,893,212)**	**(6,893,212)**
Changes in net assets		
Surplus for the year	15,212,247	15,212,247
Total changes	15,212,247	15,212,247
Balance at 30 June 2016	**8,319,035**	**8,319,035**

Note(s)

* See Note 38

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Grants		253,806,266	189,804,775
Interest income		2,956,264	3,297,067
Other receipts		34,194,645	56,088,950
		290,957,175	249,190,792
Payments			
Employee costs		(176,670,511)	(182,521,446)
Suppliers		(126,889,572)	(65,799,305)
Finance costs		-	(88,214)
Other payments		-	(511,951)
		(303,560,083)	(248,920,916)
Net cash flows from operating activities	33	**(12,602,908)**	**269,876**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(58,200)	(990,315)
Cash flows from financing activities			
Repayment of other financial liabilities		-	(1,759,472)
Finance lease payments		-	(3,903,315)
Net cash flows from financing activities		**-**	**(5,662,787)**
Net decrease in cash and cash equivalents		**(12,661,108)**	**(6,383,226)**
Cash and cash equivalents at the beginning of the year		32,775,528	39,158,754
Cash and cash equivalents at the end of the year	3	**20,114,420**	**32,775,528**

* See Note 38

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	4,013,000	19,000	**4,032,000**	831,035	**(3,200,965)**	A
Rental of facilities and equipment	1,947,000	-	**1,947,000**	1,548,995	**(398,005)**	B
Interest received (trading)	-	-	**-**	157,098	**157,098**	C
Agency services	39,792,000	(11,289,000)	**28,503,000**	27,206,217	**(1,296,783)**	D
Licences and permits	174,000	-	**174,000**	246,084	**72,084**	E
Other income	40,891,000	(3,855,000)	**37,036,000**	31,866,383	**(5,169,617)**	A
Interest received - investment	7,177,000	-	**7,177,000**	3,180,464	**(3,996,536)**	F
Total revenue from exchange transactions	**93,994,000**	**(15,125,000)**	**78,869,000**	**65,036,276**	**(13,832,724)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	216,639,000	23,498,000	**240,137,000**	245,816,565	**5,679,565**	G.
Total revenue	**310,633,000**	**8,373,000**	**319,006,000**	**310,852,841**	**(8,153,159)**	
Expenditure						
Personnel	(169,429,000)	(84,000)	**(169,513,000)**	(164,979,230)	**4,533,770**	H
Remuneration of councillors	(12,327,000)	700,000	**(11,627,000)**	(9,968,157)	**1,658,843**	I
Depreciation and amortisation	(9,798,000)	-	**(9,798,000)**	(8,023,283)	**1,774,717**	J
Finance costs	95,000	-	**95,000**	-	**(95,000)**	K
Lease rentals on operating lease	(4,299,042)	-	**(4,299,042)**	(6,086,177)	**(1,787,135)**	
Bad debts written off	-	-	**-**	(700,085)	**(700,085)**	C
Repairs and maintenance	(2,305,000)	-	**(2,305,000)**	(2,810,173)	**(505,173)**	L
Transfers and Subsidies	(4,394,000)	-	**(4,394,000)**	(4,394,200)	**(200)**	
General Expenses	(87,884,958)	(29,280,000)	**(117,164,958)**	(113,904,978)	**3,259,980**	M
Total expenditure	**(290,342,000)**	**(28,664,000)**	**(319,006,000)**	**(310,866,283)**	**8,139,717**	
Operating deficit	**20,291,000**	**(20,291,000)**	**-**	**(13,442)**	**(13,442)**	
Loss on disposal of assets and liabilities	-	-	**-**	(285,058)	**(285,058)**	J
Fair value adjustments	-	-	**-**	874,261	**874,261**	N
Actuarial gains/losses	-	-	**-**	14,354,269	**14,354,269**	O
Workmen's compensation provision	-	-	**-**	282,217	**282,217**	P
	-	**-**	**-**	**15,225,689**	**15,225,689**	
Surplus before taxation	**20,291,000**	**(20,291,000)**	**-**	**15,212,247**	**15,212,247**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**20,291,000**	**(20,291,000)**	**-**	**15,212,247**	**15,212,247**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	773,000	-	**773,000**	708,178	**(64,822)**	
Receivables from exchange transactions	26,248,000	(25,958,000)	**290,000**	27,910,111	**27,620,111**	Q
VAT receivable	-	-	**-**	6,722,326	**6,722,326**	R
Cash and cash equivalents	140,433,000	(115,021,000)	**25,412,000**	20,114,420	**(5,297,580)**	S
	167,454,000	**(140,979,000)**	**26,475,000**	**55,455,035**	**28,980,035**	
Non-Current Assets						
Biological assets that form part of an agricultural activity	275,000	53,000	**328,000**	972,123	**644,123**	N
Investment property	3,582,000	868,000	**4,450,000**	4,680,000	**230,000**	N
Property, plant and equipment	96,060,000	(30,654,000)	**65,406,000**	43,121,151	**(22,284,849)**	J
Intangible assets	6,199,000	(5,344,000)	**855,000**	97,034	**(757,966)**	J
Investments in controlled entities	-	14,579,000	**14,579,000**	14,578,528	**(472)**	
Long term receivables	-	1,557,000	**1,557,000**	2,223,526	**666,526**	T
Investments	28,750,000	(28,750,000)	**-**	-	**-**	
Other non current assets	923,000	(923,000)	**-**	-	**-**	
	135,789,000	**(48,614,000)**	**87,175,000**	**65,672,362**	**(21,502,638)**	
Total Assets	**303,243,000**	**(189,593,000)**	**113,650,000**	**121,127,397**	**7,477,397**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	37,523,000	(37,284,000)	**239,000**	36,515,868	**36,276,868**	U
Employee benefit obligation	-	-	**-**	1,554,396	**1,554,396**	V
Unspent conditional grants and receipts	-	-	**-**	8,469,701	**8,469,701**	Z
Provisions	-	7,139,000	**7,139,000**	2,989,985	**(4,149,015)**	W
	37,523,000	**(30,145,000)**	**7,378,000**	**49,529,950**	**42,151,950**	
Non-Current Liabilities						
Employee benefit obligation	-	58,037,000	**58,037,000**	51,810,481	**(6,226,519)**	Q
Provisions	61,811,000	(50,005,000)	**11,806,000**	11,467,931	**(338,069)**	Q
	61,811,000	**8,032,000**	**69,843,000**	**63,278,412**	**(6,564,588)**	
Total Liabilities	**99,334,000**	**(22,113,000)**	**77,221,000**	**112,808,362**	**35,587,362**	
Net Assets	**203,909,000**	**(167,480,000)**	**36,429,000**	**8,319,035**	**(28,109,965)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Other NDR	-	-	**-**	4,286	**4,286**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Accumulated surplus	203,909,000	(167,480,000)	**36,429,000**	8,314,749	**(28,114,251)**	
Total Net Assets	**203,909,000**	**(167,480,000)**	**36,429,000**	**8,319,035**	**(28,109,965)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Grants	216,639,000	23,498,000	**240,137,000**	253,806,266	**13,669,266**	G
Interest income	7,177,286	-	**7,177,286**	2,956,264	**(4,221,022)**	F
Other receipts	86,816,000	(15,124,000)	**71,692,000**	34,194,645	**(37,497,355)**	Q
	310,632,286	**8,374,000**	**319,006,286**	**290,957,175**	**(28,049,111)**	
Payments						
Employee costs	(172,271,710)	-	**(172,271,710)**	(176,670,511)	**(4,398,801)**	
Suppliers	(113,771,290)	(38,474,286)	**(152,245,576)**	(122,495,572)	**29,750,004**	X
Finance costs	(95,000)	-	**(95,000)**	-	**95,000**	
Other payments	(4,394,000)	-	**(4,394,000)**	(4,394,000)	**-**	
	(290,532,000)	**(38,474,286)**	**(329,006,286)**	**(303,560,083)**	**25,446,203**	
Net cash flows from operating activities	**20,100,286**	**(30,100,286)**	**(10,000,000)**	**(12,602,908)**	**(2,602,908)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(20,100,000)	19,900,000	**(200,000)**	(58,200)	**141,800**	Y
Net increase/(decrease) in cash and cash equivalents	286	(10,200,286)	**(10,200,000)**	(12,661,108)	**(2,461,108)**	
Cash and cash equivalents at the beginning of the year	86,582,000	(50,970,000)	**35,612,000**	32,775,528	**(2,836,472)**	
Cash and cash equivalents at the end of the year	**86,582,286**	**(61,170,286)**	**25,412,000**	**20,114,420**	**(5,297,580)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

Legends:

A- Fire and ambulances service were recognised only when payment is made. Decrease in service charges is due to non Payment for fire and ambulance services.

B- Decrease in rental of facilities and equipment is due to payment for rental of shops not being made timeously.

C- The item was not budgeted for.

D- The Ambulance function was carried by the Municipality on behalf of Gauteng Department of Health. During 2015/2016 financial year this function was surrendered back to Gauteng Department of Health together with its human resources. The Municipality was reimbursed for operational costs relating to this function for the period of five months.

E- The increase is due to over collection of air quality licenses

F- The decrease is due to the decrease in call account and fixed deposit investment utilised during the year.

G- Merger/ Transformation grant gazette was issued subsequent to adjustment budget being approved by council. Hence the item was not budgeted for.

H- The decrease is due to staff members relating to Ambulance function transferred to Gauteng Department of Health.

I- This is the result of upper limits adjustment in council remuneration.

J- The decrease in depreciation and amortization is due to assets which were disposed during the year.

K- The item was budgeted for, however there were no finance lease/ loan contract during the year

L- Over expenditure results in the demands in repairing fire engines.

M- Under expenditure is due to cost containment measures which were applied in terms of circular 82 issued by National Treasury

N- Fair value on biological assets and investment property were not budgeted for since it’s a year-end estimated and requires the relevant qualified experts.

O- Actuarial valuation on Medical aid liability and long service award liability were budgeted for based on the 2014/2015 actuarial reports since it’s a year-end estimate. The difference between budget and actual results from actuarial valuation performed in 2015/2016.

P- Department of Labour Assessment Provision was not budgeted for since it’s a year-end estimated

Q- Contributions from local municipalities were raised after the adjustment budget has been tabled to council and have not yet been paid.

R- VAT receivable was not budgeted for based on the results of prior year.

S- The decrease is due to few call account and fixed deposit investments entered into with financial institutions during the year.

T- The increase is due to study assistance issued during the year and payments made by employees.

U- This is due to decrease in leave payable, accruals and increase in outstanding cheques.

V- This results from actuarial valuation performed during the year and classification of short-term portion of medical aid liability

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

W- The decrease is due CCTV provision being settled during the year.

X- The increase is due to expenditure on water infrastructure grant for West Rand region, expenditure on merger processes between Westonaria and Randfontein.

Y- The decrease is due to computer equipment which budgeted on behalf of social services department and was not procured.

Z- This is due to conditional grant on rural asset management and merger/ transformation grant. The amount of merger/ transformation grant was received three months prior to year-end.

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2016											
Financial Performance											
Service charges	4,013,000	19,000	4,032,000	-		4,032,000	831,035		(3,200,965)	21 %	21 %
Investment revenue	7,177,000	-	7,177,000	-		7,177,000	3,180,464		(3,996,536)	44 %	44 %
Transfers recognised - operational	246,431,000	(14,791,000)	231,640,000	-		231,640,000	211,054,795		(20,585,205)	91 %	86 %
Other own revenue	43,011,000	(3,854,000)	39,157,000	-		39,157,000	61,899,038		22,742,038	158 %	144 %
Total revenue (excluding capital transfers and contributions)	**300,632,000**	**(18,626,000)**	**282,006,000**	**-**		**282,006,000**	**276,965,332**		**(5,040,668)**	**98 %**	**92 %**
Employee costs	(169,429,000)	(84,000)	(169,513,000)	-	-	(169,513,000)	(164,979,230)	-	4,533,770	97 %	97 %
Remuneration of councillors	(12,327,000)	700,000	(11,627,000)	-	-	(11,627,000)	(9,968,157)	-	1,658,843	86 %	81 %
Debt impairment	-	-	-			-	(700,085)	-	(700,085)	- %	- %
Depreciation and asset impairment	(9,798,000)	-	(9,798,000)			(9,798,000)	(8,023,283)	-	1,774,717	82 %	82 %
Finance charges	(95,000)	-	(95,000)	-	-	(95,000)	-	-	95,000	- %	- %
Transfers and grants	(4,394,000)	-	(4,394,000)	-	-	(4,394,000)	(4,394,200)	-	(200)	100 %	100 %
Other expenditure	(94,489,000)	(29,090,000)	(123,579,000)	-	-	(123,579,000)	(123,086,386)	-	492,614	100 %	130 %
Total expenditure	**(290,532,000)**	**(28,474,000)**	**(319,006,000)**	**-**	**-**	**(319,006,000)**	**(311,151,341)**	**-**	**7,854,659**	**98 %**	**107 %**
Surplus/(Deficit)	**10,100,000**	**(47,100,000)**	**(37,000,000)**	**-**		**(37,000,000)**	**(34,186,009)**		**2,813,991**	**92 %**	**(338)%**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	10,000,000	27,000,000	37,000,000	-		37,000,000	34,761,770		(2,238,230)	94 %	348 %
Surplus (Deficit) after capital transfers and contributions	**20,100,000**	**(20,100,000)**	**-**	**-**		**-**	**575,761**		**575,761**	**- %**	**3 %**
Other	-	-	-	-		-	(14,636,487)		(14,636,487)	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	**20,100,000**	**(20,100,000)**	**-**	**-**		**-**	**15,212,248**		**15,212,248**	**- %**	**76 %**
Cash flows											
Net cash from (used) operating	20,100,000	(30,100,000)	(10,000,000)	-		(10,000,000)	(12,602,908)		(2,602,908)	- %	(63)%
Net cash from (used) investing	(20,100,000)	19,900,000	(200,000)	-		(200,000)	(58,200)		141,800	29 %	- %
Net increase/(decrease) in cash and cash equivalents	**-**	**(10,200,000)**	**(10,200,000)**	**-**		**(10,200,000)**	**(12,661,108)**		**(2,461,108)**	**124 %**	**- %**
Cash and cash equivalents at the beginning of the year	86,582,000	(50,970,000)	35,612,000	-		35,612,000	32,775,528		(2,836,472)	- %	- %
Cash and cash equivalents at year end	**86,582,000**	**(61,170,000)**	**25,412,000**	**-**		**25,412,000**	**20,114,420**		**5,297,580**	**79 %**	**- %**

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2015				
Financial Performance				
Service charges				1,023,527
Investment revenue				3,297,067
Transfers recognised - operational				189,804,775
Other own revenue				44,077,412
Total revenue (excluding capital transfers and contributions)				**238,202,781**
Employee costs	-	-	-	(172,428,075)
Remuneration of councillors	-	-	-	(10,093,371)
Debt impairment	-	-	-	(3,048,136)
Depreciation and asset impairment	-	-	-	(12,261,813)
Finance charges	-	-	-	(600,165)
Transfers and grants	-	-	-	(4,394,200)
Other expenditure	-	-	-	(79,539,999)
Total expenditure	**-**	**-**	**-**	**(282,365,759)**
Surplus/(Deficit)				**(44,162,978)**
Surplus/(Deficit) for the year				**(44,162,978)**

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Cash flows				
Net cash from (used) operating				269,876
Net cash from (used) investing				(990,315)
Net cash from (used) financing				(5,662,787)
Net increase/(decrease) in cash and cash equivalents				**(6,383,226)**
Cash and cash equivalents at the beginning of the year				39,158,754
Cash and cash equivalents at year end				**32,775,528**

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. The presentation currency of the financial statements is South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Transfer of functions between entities under common control

Definitions

An acquirer is the municipality that obtains control of the acquiree or transferor.

Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

Control is the power to govern the financial and operating policies of another municipality so as to benefit from its activities.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality's objectives, either by providing economic benefits or service potential.

A merger is the establishment of a new combined entity in which none of the former entities obtains control over any other and no acquirer can be identified.

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another municipality.

A transferor is the municipality that relinquishes control of a function.

Common control - For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality's objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole municipality. Although functions may have outputs, outputs are not required to qualify as a function. The three elements of a function are defined as follows:

- Input: Any resource that creates, or has the ability to create, outputs when one or more processes are applied to it.
- Process: Any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs.
- Output: The result of inputs and processes applied to achieve and improve efficiency. This may be in the form of achieving service delivery objectives, or the delivery of goods and/or services.

Identifying the acquirer and transferor

For each transfer of functions between entities under common control an acquirer and transferor are identified. All relevant facts and circumstances are considered in identifying the acquirer and transferor.

The terms and conditions of a transfer of functions undertaken between entities under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which municipality to the transaction or event is the transferor(s) and which municipality is the acquirer. Where the binding arrangement does not clearly identify the acquirer or the transferor, the behaviour or actions of the entities may indicate which municipality is the acquirer and which municipality is the transferor.

Determining the acquirer includes a consideration of, amongst other things, which of the entities involved in the transfer of functions initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

1.2 Transfer of functions between entities under common control (continued)

Determining the transfer date

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function.

All relevant facts and circumstances are considered in identifying the transfer date.

Assets acquired [transferred] and liabilities assumed [relinquished]

The recognition of assets and liabilities, is subject to the following conditions:

The assets transferred and the liabilities relinquished are part of what had been agreed in terms of the binding arrangement (if applicable), rather than the result of separate transactions.

Determining what is part of the transfer of functions transaction

Where the municipality and the acquirer have a pre-existing relationship before or when negotiations for a transfer of functions began, or where a binding arrangement is entered into during the negotiations that are separate from a transfer of functions, any amounts that are not part of what were transferred in a transfer of functions are identified. This policy only applies to the consideration received and the assets transferred and liabilities relinquished in a transfer of functions as governed by the terms and conditions of the binding arrangement.

The following factors are considered, which are neither mutually exclusive nor individually conclusive, to determine whether a transaction is part of a transfer or function or whether the transaction is separate:
- the reasons for the transaction
- the timing of the transaction

Accounting by the entity as transferor

Derecognition of assets transferred and liabilities relinquished

As of the transfer date, the municipality derecognises from its financial statements, all the assets transferred and liabilities relinquished in a transfer of functions at their carrying amounts.

Until the transfer date, the municipality continues to measure these assets and liabilities in accordance with applicable Standards of GRAP.

The consideration received from the acquirer can be in the form of cash, cash equivalents or other assets. If the consideration received is in the form of other assets, the municipality measures such assets at their fair value on the transfer date in accordance with the applicable Standard of GRAP. The difference between the carrying amounts of the assets transferred, the liabilities relinquished and the consideration received from the acquirer is recognised in accumulated surplus or deficit.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. When any significant judgement and sources of estimation uncertainty are applicable, they have been disclosed in the relevant notes and policies.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipments

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipments. This estimate is based on local government norms. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17.

1.4 Biological assets that form part of an agricultural activity

The entity recognises a biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.5 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

1.6 Property, plant and equipment (continued)

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	7 - 25 years
Plant and machinery	Straight line	5 - 17 years
Furniture and fixtures	Straight line	3 - 17 years
Motor vehicles		
Specialised vehicles	Straight line	5 - 17 years
Other vehicles	Straight line	15 - 17 years
Office equipment	Straight line	3 - 17 years
Roads and stormwater	Straight line	20 - 30 years
Water	Straight line	20 - 30 years
Community	Straight line	20 - 30 years
Emergency equipment	Straight line	5 - 17 years
Water craft	Straight line	5 - 15 years
Security measures	Straight line	5 - 14 years
Other leased Assets	Straight line	2 - 3 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Property, plant and equipment which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

Accounting Policies

1.7 Intangible assets (continued)

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 years

1.8 Investments in controlled entities

Investments in controlled entities are carried at cost..

The cost of an investment in controlled entity is the aggregate of:
- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the controlled entity.

The WRDA was established to promote tourism and investment in the west rand region.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Accounting Policies

1.9 Financial instruments (continued)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Accounting Policies

1.9 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Long term debtors	Loans and receivables
Receivables from exhange transactions	Loans and receivables
Short term investments	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Payables from exhange transactions	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost

The entity has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality’s net investment in the finance lease.

Accounting Policies

1.10 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Accounting Policies

1.12 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:
[Specify criteria]

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

Accounting Policies

1.12 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.13 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:
- an entity’s decision to terminate an employee’s employment before the normal retirement date; or
- an employee’s decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from an entity’s actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

1.13 Employee benefits (continued)

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

1.14 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and

1.14 Provisions and contingencies (continued)

- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.16 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

1.17 Revenue from non-exchange transactions (continued)

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

1.22 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2015/07/01 to 2016/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of Comparison of Budget and Actual amounts.

1.24 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

Accounting Policies

1.25 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Financial Statements

Figures in Rand	2016	2015

2. New standards and interpretations

2.1 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 20: Related parties	01 April 2016	Not material
• GRAP32: Service Concession Arrangements: Grantor	01 April 2016	Not material
• GRAP108: Statutory Receivables	01 April 2016	Not material
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	Not material
• DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 April 2016	Not material

3. Cash and cash equivalents

Cash and cash equivalents consist of:

	2016	2015
Cash on hand	7,878	1,806
Bank balances	9,553,388	11,229,322
Short-term deposits	10,364,665	21,517,233
Other cash and cash equivalents	188,489	27,167
	20,114,420	**32,775,528**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
Standard bank - corporate	3,341,000	2,070,593	39,121,241	9,553,288	11,229,322	39,121,322
VBS Fixed deposit	10,224,200	21,517,233	-	10,224,200	21,517,233	-
Standard bank Call account	140,465	-	-	140,465	-	-
Petty Cash - Account	7,878	1,806	30,346	7,878	1,806	10,346
Heritage Account	188,489	27,167	27,167	188,489	27,167	27,167
Total	**13,902,032**	**23,616,799**	**39,178,754**	**20,114,320**	**32,775,528**	**39,158,835**

Notes to the Financial Statements

Figures in Rand	2016	2015

4. Receivables from exchange transactions

Gross Receivables from exchange transactions		
Contributions from local municipalities	27,500,000	2,400,000
Other consumer debtors	2,917,131	2,174,108
Fire and ambulance services	918,492	889,546
Accrued interest receivable on short term investments	93,887	93,887
Employee costs in advance	298,801	298,801
Deposits	73,791	73,791
Other debtors	1,152	1,152
	31,803,254	**5,931,285**

Contributions from local municipalities	27,500,000	2,400,000
Other consumer debtors	2,917,131	2,174,108
Fire and ambulance services	918,492	889,546
Accrued interest receivable on short term investments	93,887	93,887
Employee costs in advance	298,801	298,801
Deposits	73,791	73,791
Other debtors	1,152	1,152
Impairment of Receivables	(3,893,143)	(3,193,058)
	27,910,111	**2,738,227**

Trade and other receivables impaired

As of 30 June 2016, trade and other receivables of R 31,803,254 (2015: R 5,931,285) were impaired and provided for.

The amount of the provision was R (3,893,143) as of 30 June 2016 (2015: R 3,193,058).

The ageing of these receivables is as follows:

3 to 6 months	3,425,512	2,303,512
Over 6 months	467,631	889,546

Reconciliation of provision for impairment of trade and other receivables

Opening balance	3,193,058	4,562,898
Contribution to impairment	700,085	3,048,136
Reversal of provision	-	(4,417,976)
	3,893,143	**3,193,058**

The following receivable balances arise from system conversion and are included in the provision for impairment:

Employee cost received in advance	298,801	298,801
Deposits	73,791	73,791
Other debtors	1,152	1,152
Accrued interest	93,887	93,887
	467,631	**467,631**

5. VAT receivable

VAT	6,722,326	-

The amount relates to amounts receivable from SARS as at 30 June 2016.

Notes to the Financial Statements

Figures in Rand	2016	2015

6. Inventories

Consumable stores	708,178	456,196

7. Long term receivables

Long Term receivables comprises of study assistance to employees in accordance with council approved policy. This loan is given to employees at free interest rate.

Study assistance		
Study assistance as at 30 June 2016	2,223,526	1,557,356

8. Biological assets that form part of an agricultural activity

	2016			2015		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Biological assets - Flowers	972,123	-	972,123	327,862	-	327,862

Reconciliation of biological assets that form part of an agricultural activity - 2016

	Opening balance	Fair value adjustment	Total
Biological assets - Flowers	327,862	644,261	972,123

Reconciliation of biological assets that form part of an agricultural activity - 2015

	Opening balance	Fair value adjustment	Total
Biological assets - Flowers	274,700	53,162	327,862

Non - Financial information

Description of each bilological asset		
Biological assets - Flowers	972,123	327,862

The municipality performed a physical verification of all biological assets at 30 June 2016

A register of all biological assets is available at the Local Economic Development (LED) office of the WRDM for inspection.

Methods and assumptions used in determining fair value

The fair value of the different varieties of plants(flowers) were determined by the Multiflora Auction Market. Multiflora Auction Market is the outlet through which the flowers are sold. The increase in fair value is due to more flowers planted which were valued at year-end.

9. Investment property

	2016			2015		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	4,680,000	-	4,680,000	4,450,000	-	4,450,000

Reconciliation of investment property - 2016

	Opening balance	Fair value adjustment	Total
Investment property	4,450,000	230,000	4,680,000

Reconciliation of investment property - 2015

	Opening balance	Fair value adjustment	Total
Investment property	3,582,000	868,000	4,450,000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The effective date of the revaluations was 30 June 2016. Revaluations were performed by an independent valuer, DB Grobler (Appraiser and Professional Associated Valuer). DB Grobler is not connected to the municipality and has recent experience in location and category of the investment property being valued.

The valuation was based on rental income payable by BP Southern Africa in terms of the signed rental agreement using the income capitalisation approach.

These assumptions are based on current market conditions.

Amounts recognised in surplus and deficit for the year:

	2016	2015
Rental revenue from investment property	588,021	564,960
Direct operating expenses from rental generating property	(119,542)	(119,542)
	468,479	**445,418**

10. Property, plant and equipment

	2016			2015		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	1,425,001	-	1,425,001	1,425,001	-	1,425,001
Buildings	37,529,231	(19,620,605)	17,908,626	37,529,231	(16,721,421)	20,807,810
Plant and machinery	5,346,033	(4,685,796)	660,237	5,365,797	(4,372,812)	992,985
Furniture and fixtures	4,672,363	(4,309,777)	362,586	4,701,145	(4,110,188)	590,957
Motor vehicles	15,158,173	(11,112,077)	4,046,096	16,312,972	(10,875,265)	5,437,707
Infrastructure	8,684,377	(2,905,458)	5,778,919	8,684,377	(2,425,119)	6,259,258
Security measures	5,109,619	(5,029,463)	80,156	5,109,619	(4,769,481)	340,138
Emergency equipments	3,875,662	(3,710,380)	165,282	4,074,588	(3,780,187)	294,401
Other property, plant and equipment	100,340	(66,027)	34,313	100,340	(54,603)	45,737
Electricity	152,259	(45,646)	106,613	152,259	(38,038)	114,221
Office equipment	12,277,655	(11,000,820)	1,276,835	13,067,435	(10,652,374)	2,415,061
Specialised vehicles	4,978,139	(727,930)	4,250,209	4,978,139	(504,037)	4,474,102
Community Facilities	9,757,656	(2,731,378)	7,026,278	9,757,656	(2,341,328)	7,416,328
Total	**109,066,508**	**(65,945,357)**	**43,121,151**	**111,258,559**	**(60,644,853)**	**50,613,706**

Notes to the Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Land	1,425,001	-	-	-	1,425,001
Buildings	20,807,810	-	-	(2,899,184)	17,908,626
Plant and machinery	992,985	-	(9)	(332,739)	660,237
Furniture and fixtures	590,957	46,200	(7,388)	(267,183)	362,586
Motor vehicles	5,437,707	-	(248,856)	(1,142,755)	4,046,096
Infrastructure	6,259,258	-	-	(480,339)	5,778,919
Security measures	340,138	-	-	(259,982)	80,156
Emergency equipment	294,401	-	(4,402)	(124,717)	165,282
Other property, plant and equipment	45,737	-	-	(11,424)	34,313
Electricity	114,221	-	-	(7,608)	106,613
Office equipment	2,415,061	12,000	(24,406)	(1,125,820)	1,276,835
Specialised vehicles	4,474,102	-	-	(223,893)	4,250,209
Community facilities	7,416,328	-	-	(390,050)	7,026,278
	50,613,706	**58,200**	**(285,061)**	**(7,265,694)**	**43,121,151**

Notes to the Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	1,425,001	-	-	-	-	-	1,425,001
Buildings	23,696,711	-	-	-	(2,888,901)	-	20,807,810
Plant and machinery	1,826,082	-	240,926	-	(687,896)	(386,127)	992,985
Furniture and fixtures	1,072,264	-	-	-	(473,788)	(7,519)	590,957
Motor vehicles	6,948,944	-	-	-	(1,505,653)	(5,584)	5,437,707
Infrastrcture	6,739,590	-	-	-	(480,332)	-	6,259,258
Security measures	1,252,414	-	-	-	(912,276)	-	340,138
Emergency equipment	923,455	-	-	-	(629,052)	(2)	294,401
Other property, plant and equipment	58,350	-	-	-	(12,613)	-	45,737
Electricity	121,829	-	-	-	(7,608)	-	114,221
Office equipment	3,204,476	990,315	-	-	(1,766,228)	(13,502)	2,415,061
Other leased Assets	2,359,888	-	-	(1,244,535)	(1,115,353)	-	-
Specialised vehicles	-	-	-	4,548,774	(74,672)	-	4,474,102
Community Facilities	7,806,380	-	-	-	(390,052)	-	7,416,328
	57,435,384	**990,315**	**240,926**	**3,304,239**	**(10,944,424)**	**(412,734)**	**50,613,706**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The municipality has included in the property, plant and equipment note are assets which have been fully depreciated in accordance with GRAP 17.

11. Intangible assets

	2016			2015		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	2,716,412	(2,619,378)	97,034	2,716,412	(1,861,792)	854,620

Reconciliation of intangible assets - 2016

	Opening balance	**Amortisation**	**Total**
Computer software, other	854,620	(757,586)	97,034

Reconciliation of intangible assets - 2015

	Opening balance	**Amortisation**	**Total**
Computer software, other	1,759,275	(904,655)	854,620

12. Investments in controlled entities

Name of company	**Held by**	**% holding 2016**	**% holding 2015**	**Carrying amount 2016**	**Carrying amount 2015**
West Rand Development Agency (WRDA)		100.00 %	100.00 %	14,578,528	14,578,528

The total investment in WRDA, comprises of assets transferred on establishment of the Agency. The Assets were identified during transitional provision application of GRAP 17 and Directive 4. The value of the assets was correctly accounted for in accordance with Directive 7: *The application of deemed cost on the adoption of standards of GRAP.*

The WRDM council considers the amount of investment in the agency as fair and recoverable.

13. Payables from exchange transactions

	2016	2015
Trade payables	6,207,350	9,714,831
Consumer Deposits	71,802	71,802
Debtors with credit balances	41,778	40,500
Deposits received	12,549	12,549
Salaries payable	849,359	2,557,504
Leave payable	13,773,485	15,297,909
Stock in transit	12,525	12,525
Outstanding cheques	15,455,811	6,297,339
Interest payable	14,613	14,613
Other Creditors	49,429	104,439
Heritage Creditors account	27,167	27,167
	36,515,868	**34,151,178**

Notes to the Financial Statements

Figures in Rand	2016	2015

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
HIV/AIDS grant	70,535	-
Rural Asset Management Grant	996,402	-
Merger /Transformation Grant	5,393,969	-
Gauteng Department of Agriculture And Rural Development	-	480,000
Municipal Water infrastructure grant	2,008,795	-
	8,469,701	**480,000**
Movement during the year		
Balance at the beginning of the year	480,000	441,132
Additions during the year	253,806,266	189,843,643
Income recognition during the year	(245,816,565)	(189,804,775)
	8,469,701	**480,000**

See note 24 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

15. VAT payable

VAT payables	-	1,378,390

Notes to the Financial Statements

Figures in Rand	2016	2015

16. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Settled during the year	Total
Long Service Award provision	12,872,289	-	(109,283)	-	12,763,006
Performance Bonus	930,107	65,106	-	-	995,213
Department of labour assessment provision	981,913	-	(282,216)	-	699,697
Closed Curcuit Television Service Provision (CCTV)	5,050,620	-	-	(5,050,620)	-
	19,834,929	**65,106**	**(391,499)**	**(5,050,620)**	**14,457,916**

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Total
Long Service Award provision	13,014,898	-	(142,609)	12,872,289
Performance Bonus	1,200,278	-	(270,171)	930,107
Department of labour assessment provision	1,785,426	-	(803,513)	981,913
Closed Curcuit Television Service Provision (CCTV)	-	5,050,620	-	5,050,620
	16,000,602	**5,050,620**	**(1,216,293)**	**19,834,929**

	2016	2015
Non-current liabilities	11,467,931	11,896,056
Current liabilities	2,989,985	7,938,873
	14,457,916	**19,834,929**

Long service award provision reconciliation		
Opening balance	12,872,289	13,014,898
Benefits paid	(976,233)	(1,701,051)
Current service costs	1,127,405	1,011,122
Interest costs	1,019,552	985,519
Actuarial (gains)/ losses	(1,280,007)	(438,199)
	12,763,006	**12,872,289**

Figures in Rand	2016	2015

17. Employee benefit obligations

Post-Retirement Medical Obligation (Non-Current)	51,810,481	58,037,297
Post-Retirement Medical Plan Obligation (Current)	1,554,396	1,363,440
	53,364,877	**59,400,737**

Defined benefit plan

An actuarial valuation has been performed of the liability in respect of post-employment benefits to employees and retirees of the WRDM, and to their registered dependants as at 30 June 2016. An independent Actuarial Valuerr, which is ARCH Actuarial Consulting was appointed by the municipality to perform these valuations. The company is practicing according to the conditions and requirements of the Actuarial Society of South Africa.

The valuation considers all employees, retired employees and their dependants who participate in the medical aid arrangements and are entitled to a post-employment medical aid subsidy. The post-employment medical aid subsidy liability is not a funded arrangement, i.e no separate assets have been set aside to meet this liability. The Accounting Standards require that an employer's liability be based on the cost of the benefits provided by the employer.

The Medical Schemes Act 1998 enforces community ratings which means that the contributions payable by retirees are the same as those paid by younger members. The employer's cost can therefore be taken as the expected contributions only, as opposed to the expected cost of actual medical aid benefits.

Post retirement medical aid plan

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid scheme, most of which offers a range of options pertaining to the levels of cover. Upon retirement a retired employee may continue membership of the medical aid scheme. Upon a member's death-in-service or death-on-retirement the surviving dependants may continue membership of the medical scheme.

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	59,400,737	51,645,952
Benefits paid	(1,363,440)	(1,148,856)
Net expense recognised in the statement of financial performance	(4,672,420)	8,903,641
	53,364,877	**59,400,737**

Net expense recognised in the statement of financial performance

Current service cost	3,050,063	2,738,558
Interest cost	5,351,779	4,740,583
Actuarial (gains) losses	(13,074,262)	1,424,500
	(4,672,420)	**8,903,641**

Figures in Rand	2016	2015

17. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.54 %	9.11 %
Health cost inflation	8.58 %	8.15 %
Net effective discount rate	0.89 %	0.89 %

Medical Scheme Arrangements

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.

Contribution Rate Structure

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

Financial Assumptions

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiantly long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve

Consequently, a discount rate of 9.54% per annum has been used. The corresponding index-linked yield at this term is 1.83%. These rates do not reflect any adjustment for taxation. These rates were deducted from the yield curve obtained from the Bond Exchange of South Africa after the market closed on 30 June 2016.

Key Demographic Assumptions

The normal retirement age of employees is 65. It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

It has been assumed that 100% of in-service members will remain on the municipality's health care arrangement should they stay until retirement.

It has been assumed that female spouses will be four years younger than their male counterparts. Further, we've assumed that 95% of eligible employees on a health care arrangement at retirement will have an adult dependant. For current retiree members, actual marital status was used and the potential for remarriage was ignored.

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	**One percentage point decrease**
Effect on the aggregate of the service cost and interest cost	3,050,063	5,351,779

	2016 R	**2015 R**	**2014 R**	**2013 R**	**2012 R**
Defined benefit obligation	53,364,877	59,400,737	51,645,952	39,960,767	35,136,567

Notes to the Financial Statements

Figures in Rand	2016	2015

18. Revenue

Service charges	831,035	1,023,527
Rental of facilities and equipment	1,548,995	1,533,096
Interest on outstanding receivables	157,098	114,441
Agency services (Ambulance services)	27,206,217	37,789,000
Licences and permits	246,084	185,764
Other income	31,866,383	3,293,023
Interest received - investment	3,180,464	3,297,067
Government grants & subsidies	245,816,565	189,804,775
	310,852,841	**237,040,693**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	831,035	1,023,527
Rental of facilities and equipment	1,548,995	1,533,096
Interest on outstanding receivables	157,098	114,441
Agency services (Ambulance services)	27,206,217	37,789,000
Licences and permits	246,084	185,764
Other income	31,866,383	3,293,023
Interest received - investment	3,180,464	3,297,067
	65,036,276	**47,235,918**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	245,816,565	189,804,775

19. Service charges

Other service charges	831,035	1,023,527

Service charges relates to fire services provided to community.

20. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities (Shops and BP garage)	1,358,030	1,339,101
Lease of living units	165,315	166,115
Parking spaces	25,650	27,880
	1,548,995	**1,533,096**

21. Agency services (Ambulance services)

Ambulance services		
Emergency medical services	27,206,217	37,789,000

The Ambulance function was carried by the Municipality on behalf of Gauteng Department of Health. During 2015/2016 financial year this function was surrendered back to Gauteng Department of Health together with its human resources. The Municipality was reimbursed for operational costs relating to this function for the period of five months.

Notes to the Financial Statements

Figures in Rand	2016	2015

22. Other income

Sundry income	567,096	1,068,882
Contributions from local municipalities	30,760,233	1,500,000
Sale and plants	276,458	391,177
Insurance claims	-	42,645
LG Seta Grant	256,404	284,125
Private telephone calls	6,192	6,194
	31,866,383	**3,293,023**

23. Investment revenue

Interest revenue		
Bank	3,180,464	3,297,067

Notes to the Financial Statements

Figures in Rand	2016	2015

24. Government grants and subsidies

Operating grants		
Equitable share	30,593,000	27,825,000
Expanded public works programme	1,000,000	1,290,000
Financial management grant	1,250,000	1,250,000
RSC Replacement grant	154,249,000	150,519,000
HIV/AIDS grant	6,565,506	6,379,607
Municipal systems improvement grant	930,000	934,000
Network Libraries	2,504,017	937,525
Rural asset management grant	1,207,598	-
Merger/ Transformation grant	9,606,031	-
Gauteng Department of Agriculture And Rural Development	3,149,643	669,643
	211,054,795	**189,804,775**

Capital grants		
Municipal Water Infrastructure grant	24,761,770	-
Neighborhood Development partnership grant	10,000,000	-
	34,761,770	**-**
	245,816,565	**189,804,775**

Conditional and Unconditional

Included in above are the following grants and subsidies received in the Municipality's bank account:

Conditional grants received	68,964,266	11,460,775
Unconditional grants received	184,842,000	178,344,000
	253,806,266	**189,804,775**

Expanded public works programme

Current-year receipts	1,000,000	1,290,000
Conditions met - transferred to revenue	(1,000,000)	(1,290,000)
	-	-

Conditions still to be met - remain liabilities (see note 14).

The grant used for Labour Intensive programmes as outlined by National Government.

Financial management grant

Current-year receipts	1,250,000	1,250,000
Conditions met - transferred to revenue	(1,250,000)	(1,250,000)
	-	-

Conditions still to be met - remain liabilities (see note 14).

The grant is used to promote and support reforms in financial management by building capacity in the municipality.

RSC Replacement grant

Current-year receipts	154,249,000	150,519,000
Conditions met - transferred to revenue	(154,249,000)	(150,519,000)

Figures in Rand	2016	2015

24. Government grants and subsidies (continued)

	-	-

Conditions still to be met - remain liabilities (see note 14).

The grant used as revenue adjustment factor as the district does not collect own revenue from property rates

HIV/AIDS grant

	2016	2015
Balance unspent at beginning of year	-	3,607
Current-year receipts	6,636,041	6,376,000
Conditions met - transferred to revenue	(6,565,506)	(6,379,607)
	70,535	-

Conditions still to be met - remain liabilities (see note 14).

Grant is utilised to finance HIV/AIDS project campaignes at the WRDM and its Local Municipalities.

Municipal systems improvement grant

	2016	2015
Current-year receipts	930,000	934,000
Conditions met - transferred to revenue	(930,000)	(934,000)
	-	-

Conditions still to be met - remain liabilities (see note 14).

This grant is used to improve new systems within the municipality..

Network Libraries

	2016	2015
Balance unspent at beginning of year	-	437,525
Current-year receipts	2,504,017	500,000
Conditions met - transferred to revenue	(2,504,017)	(937,525)
	-	-

Conditions still to be met - remain liabilities (see note 14).

This grant is used to assist with wireless connection and hardware of libraries within the West Rand region.

Rural asset management grant

	2016	2015
Current-year receipts	2,204,000	-
Conditions met - transferred to revenue	(1,207,598)	-
	996,402	-

Conditions still to be met - remain liabilities (see note 14).

This grant is used to improve asset management at rural and farming areas.

Merger/ Transformation grant

	2016	2015
Current-year receipts	15,000,000	-
Conditions met - transferred to revenue	(9,606,031)	-
	5,393,969	-

Notes to the Financial Statements

Figures in Rand	2016	2015

24. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 14).

This grant is used to facilitate the merger process between Westonaria and Randfontein.

Gauteng Department of Agriculture And Rural Development (GDARD)

Balance unspent at beginning of year	480,000	-
Current-year receipts	2,669,643	1,149,643
Conditions met - transferred to revenue	(3,149,643)	(669,643)
	-	**480,000**

Conditions still to be met - remain liabilities (see note 14).

This grant is used to assist with rural and farming development within West Rand region.

Municipal Water Infrastructure grant

Current-year receipts	26,770,565	-
Conditions met - transferred to revenue	(24,761,770)	-
	2,008,795	**-**

Conditions still to be met - remain liabilities (see note 14).

This grant is used to assist with the implementation of infrastructure master plan within West Rand region.

Neighborhood Development partnership grant

Current-year receipts	10,000,000	-
Conditions met - transferred to revenue	(10,000,000)	-
	-	**-**

Conditions still to be met - remain liabilities (see note 14).

The grant is used for the development of Regional capital projects within West Rand region.

Notes to the Financial Statements

Figures in Rand	2016	2015

25. Employee related costs

Basic	101,440,803	103,773,983
Bonus	7,721,387	6,704,685
Medical aid - company contributions	10,005,999	10,982,337
UIF	683,482	781,930
SDL	1,405,870	1,497,385
Leave pay provision charge	5,251,150	8,693,334
Pension fund contribution	17,685,141	18,843,452
Group Insurance	1,563,498	1,649,270
Travel, motor car, accommodation, subsistence and other allowances	9,033,422	9,304,753
Overtime payments	1,489,660	1,444,719
Acting allowances	515,470	439,482
Housing benefits and allowances	1,120,409	1,250,708
Standby and night shift allowance	3,138,123	2,566,296
Sundays and public holidays	3,855,043	4,454,033
Industrial council levy	69,773	41,708
	164,979,230	**172,428,075**

Remuneration of Municipal Manager (M.D. Mokoena)

Annual Remuneration	1,372,140	1,275,244
Car Allowance	216,000	209,000
Performance Bonuses	142,933	96,543
Subsistance	5,184	10,669
	1,736,257	**1,591,456**

Remuneration of Chief Financial Officer (R. Mohaudi)

Annual Remuneration	1,140,132	699,896
Car Allowance	240,000	160,000
Performance Bonuses	124,212	-
Leave Encashment	44,164	-
Subsistance	1,962	670
	1,550,470	**860,566**

Executive Manager: Regional and Economic Development (H. Hamer)

Annual Remuneration	1,280,132	1,148,956
Car Allowance	100,000	140,888
Performance Bonuses	124,212	-
Leave encashment	-	154,781
Long Service Award	-	64,492
	1,504,344	**1,509,117**

Executive Manager: Corporate Services (S.S.L. Ngcobo) Resigned September 2014

Annual Remuneration	-	201,220
Car Allowance	-	46,000
Leave payout	-	49,788
	-	**297,008**

Notes to the Financial Statements

Figures in Rand	2016	2015

25. Employee related costs (continued)

Executive Manager: Health & Social Services (K.S. Ndlovu)

Annual Remuneration	1,140,132	1,049,844
Car Allowance	240,000	240,000
Performance Bonuses	124,212	-
Leave Encashment	-	41,275
	1,504,344	**1,331,119**

Executive Manager: Public Safety (M.E. Koloi)

Annual Remuneration	944,424	873,996
Car Allowance	169,332	169,332
Performance Bonuses	124,212	-
Leave encashment	-	196,056
Subsistance	1,340	1,005
Long Service Award	-	67,503
	1,239,308	**1,307,892**

26. Remuneration of councillors

Executive Major	846,275	845,255
Mayoral Committee Members	4,015,090	4,676,515
Speaker	681,194	680,378
Councillors	4,425,598	3,891,223
	9,968,157	**10,093,371**

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.

The Mayor has the use of separate Council owned vehicles for official duties.

27. Depreciation and amortisation

Property, plant and equipment	7,265,697	11,357,158
Intangible assets	757,586	904,655
	8,023,283	**12,261,813**

28. Finance costs

Finance leases	-	511,951
Other interest paid	-	88,214
	-	**600,165**

29. Debt impairment

Contributions to debt impairment provision	700,085	3,048,136

Notes to the Financial Statements

Figures in Rand	2016	2015

30. Grants and subsidies paid

Other subsidies		
WRDA Subsidy	4,394,200	4,394,200

31. General expenses

External Audit fees	2,748,025	2,335,143
Advertising	396,691	283,579
Bank charges	75,698	121,593
EPWP expenditure	1,001,531	1,289,775
LSA and PEMA Interest cost	6,371,331	5,726,102
Consulting and professional fees	6,603,827	5,909,014
Consumables	91,680	97,651
Entertainment	75,447	101,157
Pensioners medical aid	1,280,313	1,167,928
Insurance	1,457,796	995,927
MWIG expenditure (1)	20,777,622	-
Levies	2,263,053	2,229,901
Magazines, books and periodicals	804	2,174
Operating cost general	1	-
Membership fees	1,743,891	1,966,451
Fuel and oil	2,033,849	2,398,084
Printing and stationery	188,476	252,897
Royalties and license fees	1,626,326	875,576
Security (Guarding of municipal property) & CCTV	5,171,497	9,699,916
Staff welfare	80,363	83,977
Telephone and fax	6,934,837	7,680,435
Training	915,612	996,769
NDPG expenditure	8,545,408	-
Uniforms and protective clothing	1,292,090	1,368,690
Rural asset management expenditure	1,059,296	-
Merger/ transformation expenditure (3)	8,426,343	-
Current Services Cost	4,177,468	3,749,680
Stock and material	446,314	396,940
Special Programmes and Projects	21,734,119	19,533,013
Unforseen and Disaster Expenses	-	3,512
OR Tambo games (2)	5,694,108	233,364
Sundry expenses	691,162	1,102,898
	113,904,978	**70,602,146**

(1) MWIG expenditure relates to expenditure on Municipal water infrastructure project in the West Rand region. West Rand District Municipality was appointed as an implementing agent to administer this grant.

(2) The material movement on OR Tambo games relates to games at which the municipalities within Gauteng competes against each other and in 2015/2016 these games were hosted by West Rand region.

(3) Merger/ Transformation expenditure relates to expenditure incurred by West Rand District Municipality to facilitate a merger between Westonaria and Randfontein local municipalities as promulgated by the demarcation board.

Notes to the Financial Statements

Figures in Rand	2016	2015

32. Fair value adjustments

Investment property (Fair value model)	230,000	868,000
Biological assets - (Fair value model)	644,261	53,162
	874,261	**921,162**

33. Cash (used in) generated from operations

Surplus (deficit)	15,212,247	(42,644,715)
Adjustments for:		
Depreciation and amortisation	8,023,283	12,261,813
(Gain)/Loss on sale of assets and liabilities	285,058	(240,926)
Workmen's compensation movement	(282,217)	(803,513)
Fair value adjustments	(874,261)	(921,162)
Finance costs - Finance leases	-	511,951
Debt impairment	700,085	3,048,136
Movements in retirement benefit assets and liabilities	(6,035,860)	7,754,785
Movements in provisions	(5,377,013)	3,834,327
Other non-cash items	(193,669)	825,345
Finance cost	-	88,214
Accrued interest	(224,200)	-
Changes in working capital:		
Inventories	(251,982)	(328,029)
Receivables from exchange transactions	(25,171,884)	(1,300,878)
Prepayments	(666,170)	(630,297)
Payables from exchange transactions	2,364,690	17,517,113
VAT	(8,100,716)	817,712
Unspent conditional grants and receipts	7,989,701	480,000
	(12,602,908)	**269,876**

34. Financial instruments disclosure

Categories of financial instruments

2016

Financial assets

	At amortised cost	Total
Long term debtors	2,223,526	2,223,526
Receivables from exchange transactions	27,910,111	27,910,111
Cash and cash equivalents	20,114,420	20,114,420
	50,248,057	**50,248,057**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	36,515,868	36,515,868
Unspent conditional grants and receipts	8,469,701	8,469,701
	44,985,569	**44,985,569**

2015

Financial assets

. Financial instruments disclosure (continued)

	At amortised cost	Total
Long term debtors	1,557,356	1,557,356
Receivables from exchange transactions	2,738,227	2,738,227
Cash and cash equivalents	32,775,528	32,775,528
	37,071,111	**37,071,111**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	39,201,799	39,201,799
Unspent conditional grants and receipts	480,000	480,000
	39,681,799	**39,681,799**

35. Commitments

Authorised capital expenditure

	2016	2015
Already contracted for but not provided for		
• Fire engines and rescue vehicles	13,832,000	-
Total capital commitments		
Already contracted for but not provided for	13,832,000	-

Capital commitment relates to fire engines and rescue vehicles which will be leased through a finance lease for a period of 36 months due high service delivery demands.

Operating leases - as lessee (expense)

	2016	2015
Minimum lease payments due		
- within one year	73,201	-

The municipality has awarded contracts through its supply chain management processes to replace the expired lease contracts. The total value of commitments as a result of the contract for leasing of fleet vehicles and insurance amount to Leasing of Fleet for R16,824,663.32.

Operating leases - as lessor (income)

	2016	2015
Minimum lease payments due		
- within one year	718,176	1,050,084
- in second to fifth year inclusive	2,915,525	1,208,441
- later than five years	364,800	-
	3,998,501	**2,258,525**

Certain of the municipality's equipment is held to generate rental income. Rental of equipment is expected to generate rental yields of 10% on an ongoing basis. Lease agreements are non-cancellable and have terms from 3 to 10 years. There are no contingent rents receivable.

Notes to the Financial Statements

Figures in Rand	2016	2015

36. Contingencies

Izak Smal (Up & Under Motors) *Despite a court order, Plaintiff claims unlawful eviction from the BP Garage Site and claim loss of income.Matter handed over to the WRDM attorneys to defend the matter. Special pleas raised by WRDM on security to be given by Plaintiff and prescription of the matter. Matter regarding securities set down for 22 August 2016.*	9,655,700	9,655,700
Nolusaphu Matwa *Claim for medical negligence at the Bekkersdal Clinic where baby suffered injuries when born. Terms and conditions. Claimant was informed that claim must be instituted against the Department of Heath as the relevant authority dealing with Primary Health Care Services. No further information received as at date of submission of AFS*	10,000,000	10,000,000
Zoliswa Patricia Ndaba *Notice in terms of Section 3 of the Institution of Legal Proceedings against Organs of State Act 40 of 2002 received. Claim for injury due to hazard on pavement. Claimant informed that WRDM not responsible for pavements and claim must be referred to Randfontein LM. No further information received as at date of submission of AFS.*	380,000	-
Waldo Coetzer & Luke Paulse *Notice in terms of Section 3 of the Institution of Legal Proceedings against Organs of State Act 40 of 2002 received. Claim for injury due to hazard in road. Claimant informed that WRDM not responsible for road maintenance and claim must be referred to Merafong City LM. No further information received as at date of submission of AFS*	2,500,000	-
Nwabisa Mzayiya *Notice in terms of Section 3 of the Institution of Legal Proceedings against Organs of State Act 40 of 2002 received. Claim for injury due to hazard on pavement. Claimant informed that WRDM not responsible for pavements and claim must be referred to Westonaria LM.*	380,000	-
Van Greunen *Motor vehicle accident: Claim for loss of income from bread winner who died in accident. Alleged that WRDM failed to ensure that there were adequate warning signs at a T-junction. Randfontein LM is first Defendant, WRDM second Defendant*	1,600,000	1,600,000
	24,515,700	**21,255,700**

Figures in Rand	2016	2015

37. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report
Controlled entities	Refer to note 12
Members of key management	M.D. Mokoena : Accounting Officer R. Mohaudi : Chief Financial Officer M.E. Koloi : Executive Manager - Public Safety K.S. Ndlovu : Executive Manger - Health & Social Services H. Hamer : Executive Manager - Regional and Economic Development S.S. Ngcobo : Executive Manager - Corporate Services (Resigned September 2014)

The municipality has a 100% share in the WRDA. The entity has its own board of directors and its own executive management.

Transactions relating to key management personnel are disclosed in Note 25 and have been accounted for according to GRAP 20.

Related party balances

Entity		
WRDA (SOC) Limited	4,394,200	4,394,200

Related party transactions

The WRDM has a relationship with Randfontein, Merafong City, Westonaria and Mogale City Local Municipalities and the WRDA which has resulted in the transfers by the WRDM during the 2015/2016 financial year end. In the current financial year, the municipality transferred money to the WRDA.

To the best of the WRDM knowledge and taking into account all disclosures made, no councillor or official has any direct or indirect personal or private business in any matter before the council, or acquired or stand to acquire any direct benefit from contract concluded with the municipality. All assets contributed for the establishment of the WRDA were at fair value.

Compensation to accounting officer and other key management		
Short-term employee benefits	704,886	(173,628)
Defined contribution plans	126,466	306,652
	831,352	**133,024**

Notes to the Financial Statements

Figures in Rand	2016	2015

38. Prior period errors

Inventory
Inventory opening balance was overstated due to system conversion error in 2008/2009 financial period. The inventory closing balance in 30 June 2009 did not agree with the inventory balance in 01 July 2009. This affects profit and loss account since stock transaction relates to stock issues which are expensed every year. The error amounts to R411,140.

Property, plant and equipment
Plant and equipment was disposed in 2013/2014 and 2014/ 2015 financial period. The net amount of R594,157 was deducted twice from the Fixed asset register which resulted to double accounting in the general ledger. This error affected the cost and accumulated depreciation balance of plant and equipment. The contra-entry affects the asset disposal account.

The correction of the error(s) results in adjustments as follows:

Statement of Financial position	As Previously Reported	Change in accounting policy	Re-Classification	Correction of error	Restated Balance
Inventories	867,336	-	-	(411,140)	456,196
Property, plant and equipment	50,019,549	-	-	594,157	50,613,706
Accumulated (surplus)/ deficit	7,076,229	-	-	(183,017)	6,893,212
	-	-	-	-	-

Statement of Financial performance	As Previously Reported	Change in accounting policy	Re-Classification	Correction of error	Restated Balance
(Loss) gain on disposal of assets and liabilities	(353,231)	-	-	594,157	240,926

39. Events after the reporting date

There were no events or transactions which occured after 30 June 2016 that require a disclosure or adjustment in the Annual financial statements of West Rand District Municipality.

40. Risk management

Financial risk management

Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

41. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

42. Unauthorised expenditure

No unauthorised expenditure as at 30 June 2016.

43. Fruitless and wasteful expenditure

	2016	2015
Opening balance	1,802	1,802
Penalties on late submission to SARS	3,238	-
	5,040	**1,802**

Notes to the Financial Statements

Figures in Rand	2016	2015

44. Irregular expenditure

Opening balance	851,592	851,592

Analysis of expenditure awaiting condonation per age classification

Prior years	851,592	851,592

Details of irregular expenditure not recoverable (not condoned)

Non-adherence to SCM regulations in the year 2011/2012. The employee was since dismissed in the same year. - Awaiting MPAC Investigation & Recommendation to Council	851,592

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	1,743,891	1,966,451
Current year subscription / fee	(1,743,891)	(1,966,451)
	-	-

Material losses through criminal conduct

Opening balance	4,000,000	4,000,000

Audit fees

Opening balance	2,748,025	2,335,143
Current year subscription / fee	(2,748,025)	(2,335,143)
	-	-

PAYE and UIF

Opening balance	27,780,000	27,991,891
Current year subscription / fee	(27,780,000)	(27,991,891)
	-	-

Pension and Medical Aid Deductions

Opening balance	26,985,969	29,530,762
Current year subscription / fee	(26,985,969)	(29,530,762)
	-	-

Notes to the Financial Statements

Figures in Rand	2016	2015

45. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT receivable	6,722,326	-
VAT payable	-	1,378,390
	6,722,326	**1,378,390**

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The WRDM had no councillors with arrear accounts as at 30 June 2016.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident		
Emergency	-	24,032
Sole Provider	1,821,114	554,153
Impractical to follow SCM	1,304,238	2,905,205
	3,125,352	**3,483,390**

46. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.